MINUTES

JOINT LEGISLATIVE TRANSPORTATION OVERSIGHT COMMITTEE

March 17, 2010
2:00 p.m.
Room 1228, LEGISLATIVE BUILDING

The Joint Legislative Transportation Oversight committee met Wednesday, March 17, 2010 in Room 1228 of the Legislative Building. Senator Goss, presiding Chair called the meeting to order. The following members were present: Representative Nelson Cole, Co-Chair, Senator Neal Hunt, Senator John Snow, Senator Richard Stevens, Representative Kelly Alexander, Jr., Representative Becky Carney, Representative Lorene Coates, Representative James Crawford, Representative William Current, Representative Mitch Gillespie, Representative Daniel McComas, Representative Lucy Allen (Advisory Member), and Representative Arthur Williams (Advisory Member). Bob Weiss, Amna Cameron and Karlynn O'Shaughnessy of the Fiscal Research staff, Giles Perry, Committee Counsel, Daladier Miller and Anne Murtha Committee Assistants.

Chairman Goss recognized and thanked Ken Burroughs, Marta Gadison, Fred Hines, Reggie Sills, and Jon Fitchett of the Sergeant-At-Arms staff.

Next meeting will be Tuesday, April 6, 2010 at 1:00 p.m. in Room 544 Legislative Building. The minutes from the January 19, 2010 meeting were approved.

PRESENTATION

Transportation Debt and the 2010 Recommendations of the Debt Affordability Committee
Vance Holloman, Deputy State Treasurer

A copy of Vance Holloman's Transportation Debt Affordability presentation is included in these minutes as Attachment #1.

Vance Holloman introduced and thanked staff member, Dora Fazzini, who helped prepare this study and previously served as the Director of State Debt in Virginia.

The Debt Affordability Advisory Committee was formed by an action of the General Assembly. The committee chaired by Janet Cowell, State Treasurer, annually advises the Governor and the General Assembly of the debt capacity for a ten year period of the State General Fund, and the Transportation and Transportation Trust Funds. They recommend debt management policies based on a well managed AAA rated State government. The committee only makes recommendations concerning debt capacity. They do not recommend specific uses of the available debt capacity. The uses of debt capacity are determined by the General Assembly.

Mr. Holloman defined Debt Affordability as the amount of debt authorized and issued over given period of time without negatively impacting credit rating and/or budget flexibility. Debt service requires that you pay 100% of your obligation. Debt service cannot exceed 4% of the revenue of the General Fund and 6% of the revenue of the Transportation and Transportation Trust Fund. Tax-Supported Debt for the Transportation Fund are the general state-wide taxes like motor fuels taxes, vehicle registration and title fees.

Outstanding Debt as of June 30, 2009: (rounded figures)

- Total General Fund and Transportation Tax Supported Debt $6.6B
- General Obligation Bonds $5.2B
  - > General Fund GO Bonds $4.6B
  - > Highway Go Bonds $ 600M
- Net Tax-Supported Special Indebtedness (COPs) $1.4B
- Other Debt
  - > GARVEEs (as of 9/30) - does not count in debt capacity $ 500M
  - > Other (energy and other non-General Fund supported) $ 400M

Mr. Holloman highlighted the Transportation Debt Affordability Model emphasizing that Transportation-related debt service should not exceed 6% of the State's Transportation Revenues. He reviewed the Transportation liabilities projecting that the Transportation debt service will exceed its limits and capacity and has been exhausted until FY 2013.

The chart on Transportation debt service and NCTA support pledged to bondholders depicted totals for Debt Service and Gap Funding from 2010 through 2014. The committee used nine peer states from the southeast region for debt comparisons and derived a median percentage of 6% to use as a threshold for North Carolina's debt service percentage. The graph on Transportation Debt service as a percentage of State Transportation Revenues depicts 2011 debt service going over our debt capacity to almost 7% due to Gap funding and finally gets below debt capacity in 2014. Gap funding for Wake County is currently at 25M and is projected to go up to 99M a year on four projects. The Transportation capacity chart on debt affordability breaks down total capacity, actual ratios, revenue shortfall to breakeven and debt service overage from 2010 through 2014. The highest revenue shortfall is in 2011 at $398M.

Recommendations from the Debt Affordability Advisory Committee on debt management.

- Achieve structural budget balance and replenish reserves.
- Establish a preference for General Obligation debt (versus special indebtedness).
- Maintain conservative debt management practices – centralized debt authorization, issuance and management counting all debt and debt-like obligations in its debt burden.
- The General Assembly should clarify their legislative intent regarding individual agencies' ability to borrow by establishing limits, terms and by considering the impact on debt capacity.

Summary of General Fund and Transportation tax-supported debt burden:
Rating agencies look at these percentages together to designate a state's rating.

- 2012 Projection - General Fund = 3.99% Target = 4.0% Ceiling = 4.75%
- 2012 Projection - Transportation = 6.41% Target = 6.0% Ceiling = 6.0%
- 2012 Projection - Combined = 4.30% Target = 4.27% Ceiling = 4.92%

PRESENTATION

I-85 Yadkin River Project – Rowan and Davidson Counties
Victor Barbour, Administrator, Technical Services Division, DOT

A copy of Victor Barbour's ARRA (American Recovery Reinvestment Act) Update/Yadkin River Bridge presentation is included in these minutes as Attachment #2.

I-85 Yadkin River Project in Rowan and Davidson Counties entails widening 6.8 miles of I-85 from Exit 81 in Rowan County to Exit 87 in Davidson County. The project is being built in two phases: Phase I is the construction of the big bridge and the approach work on both sides of the bridge at an estimated cost of $187M; Phase 2 is the extension of road work north, costing $113M down from $150M due to decreased prices and the NC150 interchange work being moved to Phase 1 to ensure the safest transition to the existing four lane section of Phase 2 in case funding was not secured and to provide more jobs. Many obstacles were resolved to avoid delays to this project. This project was awarded one of the fifty-one Federal ARRA (American Recovery and Reinvestment Act) TIGER (Transportation Investment Generating Economic Recovery) Grants in the amount $10M (short of the $300M requested) in February 2010. Phase 1 bids are set to begin April 2010 with construction starting early summer 2010 and completion projected for 2013. A Project Specific Agreement with the FHWA (Federal Highway Administration) could delay the letting of Phase 1. Anticipating Phase 2 will be ready Fall 2010 to advertise for Design-Build contracts when funds become available.

PRESENTATION

Report on Federal High Speed Rail Funds
Pat Simmons, Director, Rail Division, DOT

A copy of Pat Simmons's reports on Federal High Speed Rail Funds is included in these minutes as Attachment #3 (3 handouts – PowerPoint presentation, NC ARRA HSIPR (High-Speed Intercity Passenger Rail) project list by county, and jobs created by ARRA High Speed Rail Awards).

Mr. Simmons briefed the committee on funds received by the NC DOT (North Carolina Department of Transportation) Rail Division Funding through various federal grants.

- ARRA (American Recovery and Reinvestment Act) – allocated $8B nationally for development of High Speed and Intercity Passenger Rail (HSIPR).

- PRIIA – (Passenger Rail Investment and Improvement Act) – Federal competitive, discretionary grants over the next five years.

NC Rail Division developed projects and programs to apply for these grants. 45% of the $8B grant money went to NC for incremental improvements on existing rail lines. NC is eligible for $545M ARRA funding. There will be additional opportunities for $2.5B later this year. NC Rail Division has signed MOUs (Memorandum of Understanding) to support the grant funding and applications with freight and passenger railroads (Amtrak, Norfolk Southern Corporation, NCRR Company and CSX Transportation) to build rail capacity and service frequency. NC will enter into two agreements with the federal government: Cooperative Grant Agreements, a regular grant/business agreement; and Letters of Intent (LOI), negotiate with the federal government for projects that take years to complete to ensure NC completes the elements of the project in sequence and gives NC the assurance of project completion.

NC DOT is developing a project management plan to use existing resources, field forces, project managers and contractors within the department for these projects. Through action of the board, Limited Services Agreements (LSAs) with current contractors will be extended for one year. They will move to a higher level to develop standards, quality assurance and quality control. This will open the door for other firms including minority and women-owned businesses to obtain work where the opportunity exists.

An economist performed an analysis of the direct, indirect and induced jobs created if NC gets the funding. NC Rail Division discounted the indirect and induced jobs and estimated 1,000 new jobs in the first year for professional engineering, planning and construction. The bulk of construction jobs would come later. Approximately 4,800 jobs will be created across 11 counties. These figures will be tracked and reported to the Office of Economic Recovery and Investment.

PRESENTATION

Benchmarking and Optimization of the North Carolina Ferry Services
Jim Westmoreland, Deputy Secretary of Transit, DOT
Jeff Tsai, Program Director, NCSU Institute for Transportation Research and Education

A copy of Jeff Tsai's Ferry Study presentation is included in these minutes as Attachment #4.

Jim Westmoreland introduced Stan White, NC DOT Division 1 Board Member and Chairman of the Ferry Subcommittee and Charlie Fearing, Interim Ferry Director.

Mr. Westmoreland outlined the need for the North Carolina Ferry Study to impose necessary changes that include budget reductions, as well as cuts and improvements in ferry services. The scope of the study reviewed the current state of the NC Ferry System by analyzing current operations, a survey of ferry users, economic dimensions of the ferry operations; peer review with other State ferry systems; current challenges and the options to address these challenges.

Jeff Tsai detailed the routes, uses and passenger frequency of the ferry system. In the study, he examined the 30 year vessel replacement plan; the operating cost by itemizing annual expenditures, tolling; and ferry division personnel. The passenger surveys assessed level of service, travel saving in cost, travel saving in time and willingness to pay. The economic

dimensions of the ferry system were examined to include: the impact of tourism utilization estimated at $325M; the ferry operations support of over 3,600 jobs; and the annual travel time benefit savings of $6 to $12M. The State peer review identified the NC Ferry System as the second largest state-operated system in the nation with a service area 30% larger than the largest system in the nation, the Washington State Ferry System. Mr. Tsai stated that the Manns Harbor shipyard is the largest state-owned shipyard in the United States and a hidden jewel in North Carolina.
The overall findings of the North Carolina Ferry system study find the majority of users are extremely satisfied, the daily ferry schedules optimize vessels while meeting USCG regulations, the seasonal ferry schedule aligns with tourists demands, and the North Carolina shipyard capabilities are without peer. Current challenges facing the system include an aging fleet and need for vessel replacement, USCG inspection frequency and requirements, impacts to shipyard and maintenance facilities in the areas of service level and resources (labor, cost and space). One answer to these challenges is to seek extra resource allocations from the General Assembly which is unlikely due to the state budget. Other options are to seek private sector help, explore expanded tolling to create a capital replacement fund for vessel replacement, and pursue ways to promote a commercial vessel construction and repair industry on the coast.

The Chair moved the presentation on I-95 Corridor Planning and Finance Study by Roberto Canales, Coordinator of Strategic Initiatives, DOT to the next meeting in order to adjourn on time.

PRESENTATION

Measuring Business Opportunity: Disparity of NC DOT's State and Federal Programs
Dr. Thomas "Danny" Boston, CEO, EuQuant, Inc.

A copy of Dr. Thomas "Danny" Boston's presentation is included in these minutes as Attachment #5.

The purpose of this disparity study is to assist NC DOT in complying with State Statutes and Federal regulations governing MBE/WBE (Minority Business Enterprise / Women's Business Enterprise) and DBE (Disadvantaged Business Enterprise) programs in State supported and federally assisted highway contracts. The general findings show that NC DOT continues to narrowly tailor the State and Federal Programs in accordance with legal and regulatory requirements. A large number of race and gender-neutral programs and policies have been implemented through the SBE (Small Business Exchange) program and 13 programs operated by the BOWD (Business Opportunity and Workforce Development) Office. This study recommends NC DOT continue and expand the broad range of race and gender neutral programs it operates; to focus on capacity building; consider adopting Federal Programs and State policies that are proven to be effective; establish consistency among Divisions in goal setting, good faith efforts compliance, and informal bids solicitations and contracts awards. NC DOT should investigate the trucking and hauling industry and examine if it is over-concentrated with MBEs and WBEs, if so, consider reducing the credit awarded to firms that are heavily concentrated with MBEs and WBEs. Finally, when prime contractors voluntarily use MWBEs (Minority Women's Business Enterprises) in a race-neutral manner, they need to comply with the same regulations that govern race-conscious utilization of MWBEs. This can be a disincentive to prime contractors and therefore should be re-evaluated and tailored to achieve the same objective in a more efficient manner.

The meeting adjourned at 4:00 P.M.

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Senator Steve Goss, Co-Chair	Representative, Nelson Cole, Co-Chair

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Anne R. Murtha, Committee Assistant